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GUIDING MONTANA THROUGH AN ECONOMIC STORM

An Interview with Governor Brian Schweitzer



Inside:

- Gambling Industry
- Kids Count Findings
- Motor Vehicle Death Rates
- Bureau Director Retires
- MBQ Index

MONTANA *Business Quarterly*

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The Bureau is involved in a wide variety of activities, including economic analysis and forecasting; health care, forest products, and manufacturing industry research; and survey research. The latest information about these topics is published regularly in the Bureau's award-winning magazine, the *Montana Business Quarterly*, which is partially supported by Wells Fargo.

The Bureau's Economics Montana forecasting system provides public and private decision makers with reliable forecasts and analysis. These state and local area forecasts are the focus of the annual series of Economic Outlook Seminars presented by the Bureau in Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula.

The Montana Poll, a quarterly public opinion poll, questions Montanans about their views on a variety of economic and social issues. The Bureau also conducts contract survey research and offers a random-digit dialing program for survey organizations in need of random telephone samples.

The Health Care Industry Research Program examines markets, trends, industry structure, costs, and other high visibility topics in this important Montana industry.

Research on the forest products industry has long been an important part of Bureau operations. While emphasis is placed on Montana's industry, the cooperative research with the U.S. Forest Service involves most of the western states. A recently-formed research consortium including the Bureau, the Forest Products Department at the University of Idaho, and the Wood Materials and Engineering Laboratory at Washington State University addresses forest operations and utilization problems unique to the Inland Northwest.

The Bureau, in cooperation with Montana Business Connections, recently expanded the scope of its ongoing wood products manufacturing research to include all of Montana's manufacturing industries. Through this program, a comprehensive statewide electronic information system will be developed.

Bureau personnel continually respond to numerous requests for local, state, and national economic data. Don't hesitate to call on Bureau staff members if they can be of service to you.



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MBQ CONTENTS

2

Guiding Montana Through An Economic Storm

Interview with Governor Brian Schweitzer

Patrick Barkey and Shannon Furniss



8

The Business of Gambling in Montana

by John Baldridge and James T. Sylvester

12

Are Montana Roads Becoming Safer?

Traffic Safety and Other Findings
from Montana Kids Count

by Thale Dillon

15

Motor Vehicle Death Rates Rural Highways and Drinking and Driving Put Montana Teens at Higher Risk than Other States

*by Thale Dillon, Daphne Herling, and
Carole Cochran*

20

Polzin Retires as Bureau Director

*by Shannon Furniss and
Amy Joyner*

23

MBQ Index, 2004-2008



Interview with

Governor Brian Schweitzer

Editor's note: In early December, Governor Brian Schweitzer met with Patrick Barkey, director of the Bureau of Business and Economic Research, and Shannon Furniss, editor of the Montana Business Quarterly, to discuss statewide economic issues and plans for his second term. We met in the governor's residence, where we were introduced to his dog, Jag, pictured left. Though edited for clarity, the following Q&A includes all the major points of our interview.

MBQ: The economy seems to have pushed everything else off the front page. What are your biggest concerns and what are the biggest sources of strength for the Montana economy in the year ahead?

Governor: The Continental Divide is one of the highest places in Montana and one of the highest places in the world. And this is a global tsunami as near as I can tell. This is a crisis in confidence. That's the best way of describing what's happening here, and it's a trickle-down effect. We're pretty well insulated being high up here in the Rocky Mountains and being in the businesses that we are, but not completely. I was listening to some economists describing the scenarios. And one of the scenarios is if we do all of these infrastructure projects, and we start pumping things out there, ultimately we'll have to pay that back. [The National Governor's Association is asking for \$136 billion for states to use in infrastructure projects such as road and bridge repairs.] That creates inflation and a deflated dollar, and then we could have accelerated inflation or maybe even in a bad case scenario, hyperinflation. So if you can't protect the dollar, you have to continue to pump. And then the conversation was going on about deflation ... I listened for a while, and I said, "Deflation, huh? You mean like virtually every house in America decreasing in value by 25 to 30 percent? Platinum dropping from \$2,200 to

GUIDING MONTANA THROUGH AN ECONOMIC STORM

\$860; copper dropping from \$4.60 to \$1.80; wheat making it to \$20 and dropping back to \$5; nobody wanting to buy a car because they know that they can buy a better car for less money six months from now? You mean like that? ..."

Right now maybe up to 45 states have budgets that are structurally imbalanced. Thank God Montana's got money in the bank, but you know, at the rate things are slowing, I don't know if it's enough. We have the largest cash position, by actual dollars and by percentage, in the history of Montana. But is it enough? ... I don't know if we are back to '33 or whether we're just back to '74 or we're back to '87, or where we are on the continuum. ... We've had four extraordinarily good years. ... We've got \$287 million dollars in the bank, and I don't feel that rich.

MBQ: Though Montana's unemployment rate is well below the national average, it is rising. Recent layoffs in mining, forest products, and manufacturing have caused hundreds of job losses. What are your plans to help mitigate some of these negative impacts?

Governor: First off, let's understand that I don't have the ability to deficit spend. I can't prime the pump like the federal government. I can't create countercyclical payments like the federal government.

We governors had a conversation last week with Obama and Biden and their team. Some of the newspapers said, "Oh, the governors are back here with hat in hand, begging the administration for bailout for their misguided management." Whoa, whoa, whoa! Most of what they were talking about is Medicaid. Medicaid is a program that was created by Congress to provide some kind of health care for the last and the least — the ones who fall through all the safety nets. Congress passed this on to the states where we actually deliver programs, and they said, "We'll be your partner, we'll pay for 80 percent of the cost of this Medicaid program, you pay for 20 percent, and you administer it." Okay. That was a partnership. But the problem with that partnership is that it was once again the federal government trying to put a round peg in a square hole. What happens is that when states are faced with recessions and people are laid off and they lose their insurance, then they displace someone else that is a little lower on the totem pole. Pretty soon the demand for health and human services (re: Medicaid) goes up, and our revenues are going down. We don't have the ability to countercyclically spend like the federal government does. And so in the past, during recessions, the federal government says, "Alright, here are some countercyclical dollars so

"Thank God Montana's got money in the bank, but you know, at the rate things are slowing, I don't know if it's enough. We have the largest cash position, by actual dollars and by percentage, in the history of Montana. But is it enough?"

that you can take care of your Medicaid program so people aren't thrown into the street." But, that's what we were talking about, we were hat in hand. This is a partnership, and it was a partnership created by them. I mean that's a little bit like somebody lighting your barn on fire and then showing up and saying, "Hey, hey, how come you don't take care of your horses?" Well, please.

The other thing the governors talked to the administration about was their philosophy that to prime this pump there needs to be a confluence of events. We have a slowdown in our economy, and

we have deferred infrastructure needs in this country. This administration has said during the campaign, and continues to say, that they believe in infrastructure. I believe in energy infrastructure, energy designed by American engineers and built by American workers. Some people see that the price of gasoline is down to \$1.60 or something and wonder if there is still an appetite to build an infrastructure for a new energy economy. I could answer that question by saying that if we had full employment and health and wealth and prosperity, and we weren't at war, you might be right [to question it]. Let's see, we don't have health, we don't have wealth, we don't have prosperity, and we are at war. And it has a great part to do with war. So, you've got a confluence of events, or maybe a nexus. Unemployment is increasing at maybe the fastest rate ever, we have an energy dependence, and the administration says we've got to prime the pump. So here's an opportunity to spend a hundred billion dollars in an electricity transmission system that will be the equivalent of the interstate highway.

When President Eisenhower proposed to build the interstate highway, ... people said that we already have a system that does that. The president said, "No, no, no. I don't think you understand. I want to build a system on top of the other system. There will still be a system within, but this system will be much more efficient. It will be faster, it will require less energy, there will be no stop lights and stop signs. It will be continuous. If you had enough fuel, you'd never have to stop to go from coast to coast. It's a completely new system. ..." Well, in fact it was an infrastructure system that we needed in this country, and who could complain today?

The infrastructure of this transmission grid that will be built over top of an existing transmission system is not going to be any different. Our transmission system we have right now is very inefficient — there is a lot of line loss. Virtually any place along the line, you can plug your extension cord into the system and there is on and off, and you stop and go, and there are at least four different kinds of electricity. If you're in eastern Montana and shipping electricity to the Midwest, you've got to have big, expensive equipment to



“I just believe that creating a clean, green American energy system is the most important thing for this generation and the generation that follows.”

switch it to a different hertz because they are in the Midwest grid. They are not in the Western grid, they don't plug into each other. Well, that's a little silly. So, this is a new DC line with very little line loss that would be built over top ... and run from south-central Montana, with the first stop probably Las Vegas and the next one Los Angeles. And, so, that's the deal we've been talking about for the last couple of years – about a hundred billion dollars.

Well, that sounds like a lot of money, right? That's a lot of money for me, a lot of money in Montana. But let's see, we're importing 4.5 billion barrels, and even at \$50 a barrel ... you do the math. I think that's \$200 billion a year that's leaving our economy. And when it was \$100 a barrel, well, that was some real money – \$450 billion, \$500 billion – and we got nothing out of that, except for possibly another dictator mad at us. We're giving them money to fight us, and we have the technology in this country. Virtually 80 to 85 percent of all the miles that we drive can be run on electricity with plug-in hybrids. So then that means wind power, it means solar power, it means coal gasification. And none of those are imported from dictators. But you've got to invest in that infrastructure, and that is part of what they are talking about.

The second part of this infrastructure I think that we need to build and invest in is in energy conservation. I mean, the most important barrel is the one you don't use. I initiated what I call the “20 x 10.” You've probably heard about this by now. Some grumbling, I presume. But the idea is that

we would change the way we consume at state government and we would change some of the physical structure, some of the devices that we have, some of the boilers, weatherize windows, doors, etc., use more insulation, make our buildings smarter. We believe that we can decrease our energy consumption by 20 percent in state-owned buildings.

MBQ: The Legislature is meeting, and obviously we are moving into a period of uncertainty. But still we're planning for the next two years. Could you outline what you see as some of the priorities for the next couple of years?

Governor: Well, there is a term that almost none of Montana understands, and it's called present law adjustment. You just can't imagine that something like this could exist. The law is such that, when I prepare a budget, my budget must contain enough money to deliver the services that have already been passed in the previous Legislature. And you have to assume there is a level of inflation to deliver that program. So, automatically government grows, even before you get a chance to make any decisions. You don't get to decide, “Well, I'm going to put a little more here, and a little....” Nope. You show up and you put that much in the budget and that's

just to maintain government. And it's a little frustrating when you have projected declining revenue, and yet decisions are already made for you that this amount of money goes into the budget. I mean, people say, “It looks like the budget overall has decreased because we have less money for one-time spending.” That's true, but it continued to increase for



ongoing spending. That's true also, but for the most part, it's out of my control. You put it in the budget to maintain the services at status quo. It takes the Legislature to come in and say, “No, no, no. We're going to pass a law that says we are no longer going to deliver that service.” And then they can take money out of the budget. But the budget that I've prepared is effectively delivering the services at the same level as we have in the past, with slight increases for K-12. The times of reforms in government ... it's going to be pretty tough this time because we don't have additional money.

MBQ: But you have some. The SCHIP expansion is out there.

Governor: That's statutory. That actually comes first because people passed that. It is first in my budget – not last – so it's figured in. Again, it's statutory. The people have spoken, "You shall fund it at this rate." Alright, we'll fund it at that rate. K-12 ... I must be doing something right because even before they saw my final budget, people were complaining that there wasn't enough money for K-12, and some people were complaining it's too much. So I figure we got it about right. If nobody is happy, government is working.

MBQ: The recently passed Healthy Kids Montana will provide insurance for 35,000 uninsured children. Do you see any constraints with the budget?

Governor: The money is in the budget.

MBQ: Do you see a role for the governor in helping Montana's forests be "working forests" rather than residential developments?

Governor: Sure. The state of Montana manages 800,000 acres of timber, and we – and the land board – have managed that timber land in a sustainable way. Ask any forester, "Who would you like to have manage the federal timber rights?" What would they say?

MBQ: The state or the tribes probably.

Governor: Yep, that's what they would say. The way we harvest timber is completely different than the federal government. It is clear to me that sometime during the course of the last 100 years, we made a decision to make an investment in building roads in some of our timberlands. In most of the cases, the initial cost of building the road is more than the first harvest of the timber. So it was clear that the road was built with the anticipation that we would harvest it again. Right? Well, now those roads are not open, or we're not going to harvest the timber, or we can't get around to it. Or, since people are going to sue us, we won't. And with a lot of these red trees – and with the pine beetle and the spruce budworm increasing in number and scope – by the time the federal government gets around to doing something with that timber, there is no commercial value. How can you pay somebody to take their truck to the top of a mountain and haul logs out if the logs aren't worth anything? Coupled with that is the low price in the value of timber because of the slowdown in construction.

MBQ: Back to the economy. Historically, wages for Montana workers have been among the lowest in the nation. Some workers say they have to work two or three jobs to make ends meet, particularly in high-cost towns such as Bozeman and Kalispell. From your perspective, both as governor and just as someone who is concerned about the situation, what do you tell people we can do about it?

Governor: Well, if the governor can wave a magic wand, then he can undo the last 70 years. Why not? What this governor can do is he can get new companies to come to Montana and create an atmosphere that is business friendly and have wages over the last four years increase the third fastest in the country. That doesn't do you a lot of good when you're 49th, you know. But I can't undo 100 years of history.

Okay, here are the facts of the matter. Some of what's been going on in Montana is simply this. If you want somebody to live in Pittsburgh or New York City or Los Angeles, you have to pay them a lot. Folks come out to Montana and they all say, "You know what, my kids can walk to school, and it is completely safe. I don't even have a key to my house, and nobody is going to break in. I can get in my 5-year old pickup and drive down the road and people don't make fun of me because they drive pickups that look a lot like mine. And most important of all, I go fishing or hunting or hiking, and it's never more than about a half hour from where I live. And so, I ain't leaving." So that means, if you're not leaving, then you're going to make do on less. If Montanans started loading up the pickups and driving to Pittsburgh, then you would have to pay more to get people to work here, and that's what's happened over the course of the last three years.





"I will continue to push higher education until we have a higher education system that is affordable, accessible, and has transferability of credits. ... I guess when you rearrange the furniture, sometimes you break some of the china. And let's put it this way, I'm going to keep rearranging the furniture in Montana – whether it be education or energy – until we are competitive with the rest of the world. If we stay in the same place, we will not be competitive. I will guarantee you that."

Not this year, but a year ago, or 15 months ago, our unemployment rate was around 3 percent, and the economists said to me, "This is bad. Bad. Very bad." Well, it's bad because you can't attract companies to come to Montana because there is no pool of people to hire. You know, your unemployment rate for a healthy economy ought to be 4.3 to 4.4 percent. That's the sweet spot. So I was thinking that we're working our way towards zero. That's got to be good. Nooooo, no it's not. Well, I joke about that a little bit, but what was happening is we were putting pressure on employers to increase wages. But it was interesting because I heard from plenty of people in the business community, "You've got to stop this, Brian."

I have a mayor in Sidney, God bless him, Brett Smelser, and he calls and says, "Brian, you've got to come out here, we've got problems. We've got to sit down and talk, this thing is falling apart."

So I went out to Sidney and sat down with Brett and said, "Brett, what's happening here?"

He said, "This thing is a wreck. We've got businesses closing on Main Street."

"Why, Brett? I thought there was an oil boom on?"

"There is," he said. "These kids are getting out of high school, and they are paying them \$31 an hour to drive the pickup just to deliver the mail to the rig. And so, the guys that have a furniture store and a grocery store can't find people to work for them, so they are just closing the door."

I said, "You know what, Brett? I can't do a damn thing for you. That's what happens in a growing economy. I mean, somebody is going to have to pay a little bit more for the furniture so the furniture store guy can pay a little bit more to the people working there."

And he said, "Well, the problem is that they don't buy the furniture there, they go to Billings to get it."

Well, [author] Tom Friedman said something about that in "The World is Flat." People go get on the Internet, and they'll buy anything they want from all over the world, and the guy from UPS will deliver it to their front doorstep. That's the reality. I couldn't help the mayor of Sidney with his problem of wages going up so fast. The other problem is that kids don't go to college. How do you get a kid to go to college when their father teaches at the schools making \$41,000, and the kid gets out of high school, and he's not even dry behind the ears, and he's making \$55,000 and gets a brand new pickup? But you know, things are changing now. That was \$100 oil, now it's \$40 oil, and who knows what happens?

MBQ: As newly elected chairman of the Democratic Governors Association, you have talked about putting a Montana stamp on national policy. Where would you start? What are the most policy important issues?

Governor: Energy. Wind energy and transmission capacity to get our wind energy to plug in hybrid cars that we'll be driving all over the country. And a carbon law that makes sense for Montana so that we can convert our coal to clean coal electrons or syngas [a mixture of carbon monoxide and hydrogen] and sequester the carbon dioxide without bankrupting folks in the coal business. And an energy policy that rewards domestic energy production – whether you dig it or drill it or grow it or blow it, if it's domestic, if it's designed by Americans, it's produced in America and it's clean and green. That's the direction we want to go. I know that I ought to be an expert on education, health care, and roads and everything else, but I can't be all of those things. I just believe that creating a clean, green American energy system is the most

important thing for this generation and the generation that follows. I can't be all things. I can't be everything. I have to still run the state of Montana and have a voice in the national debate. I happen to know energy, so I am going to continue to work on that. The Obama administration – in a way that the Bush administration certainly didn't ever do – is listening.

MBQ: One last question. Not to get too historical, but this is the beginning of your second term, and some people think that this is the opportunity for a chief executive to really push the big proposals that make your stamp on Montana for years to come. Where do you want to take the state in the next four years?

Governor: When I get done being governor, I'll go back to other businesses, doing what I was doing before, and there will be plenty of other good people that can run the state. I will do my little part for my little while, and then I'll move on.

Since I got out of graduate school, I have been painfully aware of the relationship between the Bobcats and the Grizzlies, and the relationship usually means, on the gridiron, that the Grizzlies whip the Bobcats. And, you know, I was getting ready to go over to the Grizzly game, and I said, to paraphrase JFK, "Today we're all Grizzlies." There is something you have to respect about the Grizzlies, and that is that they win. The reason they are 13 and 1 is the Grizzlies are winners, and they are a second-half team. I'm going to be a second-half administration. So you can bet the same things that I have done to attract new businesses to come to Montana – new energy, new information technology, new biotech – I'm going to continue out there because I know I am in competition with the rest of the governors and premiers and presidents of countries and dictators and whatever else they call the folks around the world. So I am going to continue to work hard to bring energy projects to Montana. I think it is our place on the map, and it is our place in time. Secondly, I am not going to rest until Montana has a smart higher education system. We have really bright people, we have

great educators, wonderful universities, and we are still in last century in terms of delivering the product.

Universities all over America, all over this country, are delivering the product through distance learning. I might get myself into trouble, but I just told some of the press from Missoula that you shouldn't have to necessarily move to Missoula to take a class from The University of Montana. You can't say to somebody who is 42 years old and already has a career and a job in Lewistown who wants to learn about coal gasification that he must move to Missoula in order to take that chemistry class. That's ridiculous. That person can stay in his own house and his own job and through distance learning can take chemistry, can take microbiology, can take physics, engineering courses. So we have been challenging our university system to create a smart university system – one where we can touch the lives of virtually every family in Montana. Not just the ones who can afford to travel to Missoula and live there for five years for their education. Now I know I am asking folks to do things that are outside the box, but that's what competition is all about. I want this to be a tool to make Montana competitive. And I will continue to push higher education until we have a higher education system that is affordable, accessible, and has transferability of credits. ... When you come into the buzz saw of educrocracy – I think I just made a new word – you find out that doesn't make anybody happy. I guess when you rearrange the furniture, sometimes you break some of the china. And let's put it this way, I'm going to keep rearranging the furniture in Montana – whether it be education or energy – until we are competitive with the rest of the world. If we stay in the same place, we will not be competitive. I will guarantee you that. □





Business of Gambling in Montana

by John Baldridge and
James T. Sylvester

While it's still too early to tell the impacts of the recession sweeping Montana and the rest of the nation, gambling establishments may be hurt by the recent drop in consumer spending at about the same rate as other retail operations. However, revenue from gambling as a form of recreation – complemented by sales of products like beer, liquor, and even gasoline – may be less sensitive to a decline in overall consumer spending than revenue from other recreational pursuits.

Over the years, many of the state's residents have come to recognize and accept gambling as a form of recreation and entertainment. However, gambling still ignites heated debate centered on social, ethical, and economic issues. What kind of impact do gambling establishments have on Montana's economy? How many people do they employ? What kind of taxes do these businesses pay?

Answers are not easy to find. Unlike other industries, there is not a standard set of statistics available for gambling firms. In fact, statistics are scattered among a number of industry classifications. For example, some gambling establishments are restaurants or bars and are classified in the eating and drinking category; others are casinos and are considered a service industry; still others may be technically categorized as gas stations. This situation makes it difficult to compare gambling to other industries using common yardsticks such as sales, employment, and labor income.

At the request of the Gaming Research and Education Fund, the Bureau of Business and Economic Research conducted a survey

of Montana gambling establishments to gather some of these statistics.

In August and September of 2008, the Bureau telephoned a random cross section of 1,117 gambling license holders. Following the guidelines of the American Association for Public Opinion Research (AAPOR), the calculated response rate was 444/1,117, or 40 percent. The overall sampling error associated with this survey is +/- 5 percent.

This article builds on a similar survey of gambling establishments conducted by the Bureau in 1998 and 2002. Most of the aggregate statistics (total sales, expenses, taxes) are comparable between the surveys and may be used to evaluate industry changes over the years. However, some of the questions have been modified (we learned from our earlier experiences), and certain detailed items may not be comparable among the three surveys. The only conceptual difference is that the current study does not include statistics for the roughly 194 establishments that have licenses but report no video gambling machines (VGMs). We received too few responses from these firms to develop reliable estimates of their characteristics. However, these are mostly very small firms and nonprofit organizations. Their exclusion should not significantly affect the estimates.

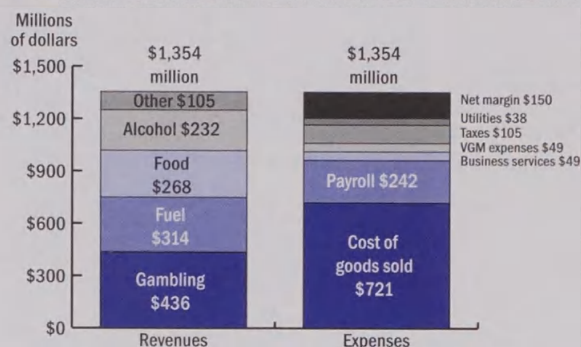
Financial Conditions of Gambling Establishments

Montana's gambling industry consists mostly of the 1,641 establishments with Montana Department of Justice licenses to operate VGMs. These establishments received about \$1.354 billion in revenue in 2008 (Figure 1). Gambling activities accounted for \$436 million, roughly 32 percent of total revenue. Other important revenue sources include food (20 percent), alcohol (17 percent), and fuel (23 percent). Miscellaneous revenue sources, such as membership dues, accounted for the remaining 8 percent.

The largest expense for Montana gambling establishments was the cost of goods sold. The purchase of gasoline, food, alcohol, and other items for resale accounted for about \$721 million, or approximately 60 percent of total expenses. Payroll costs, including fringe benefits, totaled about \$242 million, or 20 percent. Business-related services (advertising, repairs, professional services, etc.) were about \$49 million, or 4 percent. Payments for vendor-owned VGMs, sometimes called vendor split, were also \$49 million, or roughly 4 percent of total expenses. Utility costs summed to approximately \$38 million, about 3.2 percent of total expenses.

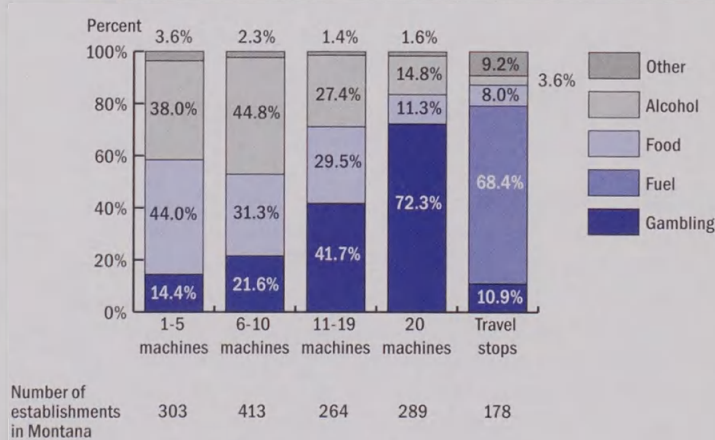
Net margin provides an overall financial perspective of Montana gambling establishments and may be calculated from the revenue and expense data collected in this survey. Gambling establishments reported total revenue of \$1.354 billion and expenses of about \$1.204 billion, leaving a net margin of \$150 million, or roughly 11.1 percent of total revenue. The net margin includes the before-tax return to owners

Figure 1
Revenue and Expenses,
Montana Gambling Establishments,
2007



Source: Bureau of Business and Economic Research, The University of Montana.

Figure 2
Sources of Revenue,
Montana Gambling Establishments,
2007



Source: Bureau of Business and Economic Research, The University of Montana.

(proprietors, partners, and stockholders), capital charges, and certain costs not specified in the questionnaire. The value of the liquor license – which can exceed \$300,000 in certain areas – is not explicitly included in these calculations. Finally, the net margin calculation also implicitly includes the risk premium associated with operating a gambling establishment. Some people may consider the gambling industry to be riskier than average because of close government regulation.

Gambling establishments differ significantly in their sources of revenue. As shown in Figure 2, revenue generated

Table 1
Full- and Part-time Employment, Montana Gambling Establishments, 2007

	NUMBER OF VGMS										Total	
	1 to 5		6 to 10		11 to 15		20		Fuel Stops			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Part-time Employees	1,377	58.4	2,710	43.1	2,157	41.9	2,152	38.2	1,852	40.3	10,248	42.7
Full-time Employees	980	41.6	3,574	56.9	2,991	58.1	3,477	61.8	2,744	59.7	13,766	57.3
Total	2,357	100.0	6,284	100.0	5,148	100.0	5,629	100.0	4,596	100.0	24,014	100.0

Source: Bureau of Business and Economic Research, The University of Montana.

from gambling ranges from 11 to 72 percent, depending on the type of gambling establishment. Those establishments with 20 VGMS reported the maximum share of 72 percent.

A Closer Look at Taxes

Based on the survey responses, Montana gambling establishments paid an estimated \$105 million in taxes and fees during calendar year 2007. They paid an estimated \$59 million in VGM taxes, which is not statistically different from the \$62 million in VGM taxes reported by the Montana Department of Justice in 2007. Montana gambling establishments paid an additional \$46 million in real estate taxes, business income tax, city taxes and/or fees, and other fees and licenses.

Employment

Montana gambling establishments employed 24,014 persons in 2007, with 13,766 full-time workers (32 hours or more per week) and 10,248 part-time workers (less than 32 hours per week). As shown in Table 1, part-time employment is much more prevalent in smaller gambling establishments. For establishments with 1 to 5 machines, approximately 42 percent of the workers were full time and roughly 58 percent were part time. The percentage of full-time workers rises to 57 percent for those establishments with six to 10 machines. Finally, full-time workers represent about 60 percent of the total in gambling establishments, with 11 or more machines.

Economics

Gambling establishments can be compared with other sectors of the Montana economy by using estimated sales and employment data. These comparisons should be interpreted cautiously because there is some double counting. As mentioned earlier, gambling establishments are classified in a number of industries, including some of those used for comparisons presented here.

Montana does not have a sales tax. Consequently, there are no up-to-date and reliable figures for retail sales. The retail sales numbers presented in Figure 3 are from the 2002 Economic Census conducted by the U.S. Bureau of the Census.

The estimated 2007 total sales of Montana gambling establishments were \$1.354 billion, slightly smaller than the 2002 sales of general merchandise stores (\$1.62 billion) and food and beverage stores (\$1.361 billion). General merchandise stores include department stores and superstores, and food and beverage stores include convenience stores, liquor stores, and grocery stores. Total sales in food services and drinking places in 2002 was \$1.05 billion.

As shown in Figure 4, estimated 2007 employment for Montana gambling establishments was 24,000 people. In 2006, general merchandise stores and food stores employed 9,600 and 9,500 workers respectively. Total employment in food service and drinking places was 34,900.

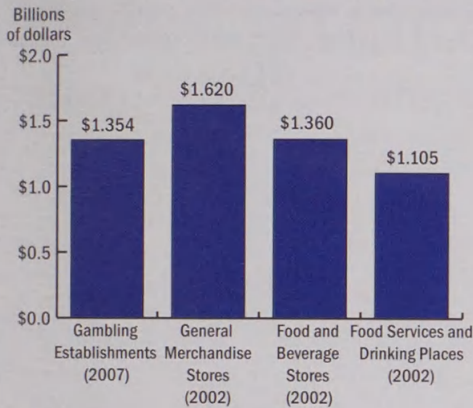
Industry Growth

The estimated total revenue of gambling establishments grew at an annual rate of 4.5 percent per year between 2001 and 2007, from \$1.039 billion in 1997 to \$1.354 billion in 2001. Inflation averaged about 2.5 percent per year. Therefore, gambling establishment revenue grew about 2.0 percent per year in inflation-adjusted terms between 2001 and 2007.

As shown in Figure 5, inflation-adjusted gambling revenues were the fastest growing major component, increasing an average of 5.1 percent per year between 2001 and 2007. Food was in second place, growing at 2.4 percent per year. Alcohol revenue increased at roughly 0.7 percent per year. Fuel revenue increased at about 1.3 percent per year.

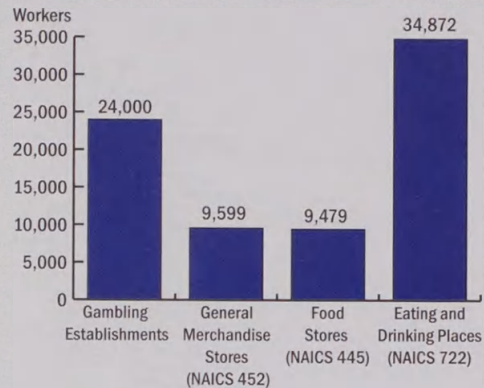
In 2007, about 24,000 people were employed by Montana's gambling industry. Year-over-year employment growth decelerated to about 1.1 percent per year during the 2001-2007 period. The 2001 employment estimate was 22,500. An

Figure 3
Total Sales, Montana Gambling Establishments and Selected Industries, 2007



Sources: Bureau of Business and Economic Research, The University of Montana and U.S. Census Bureau.

Figure 4
Total Employment, Montana Gambling Establishments and Selected Industries, 2007



Sources: Bureau of Business and Economic Research, The University of Montana and Montana Department of Labor and Industry.

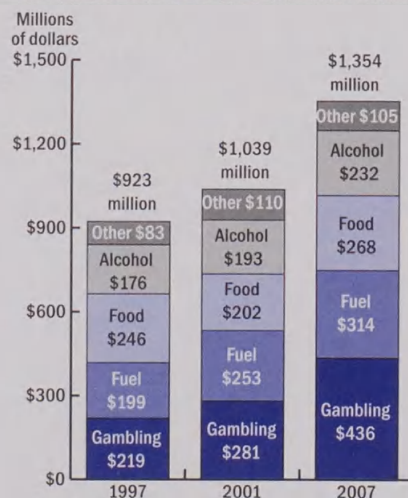
apparent yearly employment growth rate of 8.5 percent between the 1997 estimate of 16,300 and the 2001 estimate was actually about 5.3 percent per year when accounting for a change in survey methods used in 2002.

Conclusion

With these data, we can compare gambling to other businesses such as department stores, grocery stores, and food service and drinking places. Gambling remains a significant industry in Montana. Attempts to modify the gambling industry could negatively impact a sizable portion of Montana's economy. □

John Baldridge is the Bureau's director of survey development and James T. Sylvester is the Bureau's director of survey operations.

Figure 5
Sources of Revenue, Montana Gambling Establishments, 1997, 2001, and 2007



Source: Bureau of Business and Economic Research University of Montana.

Are Montana Roads Becoming Safer?

Traffic Safety and Other Findings from Montana Kids Count

by Thale Dillon

Montana has made great inroads in the number of motor vehicle crashes involving drivers who are under 18 over the past several years. Not only has this rate decreased by an impressive 27 percent since 2000, but accidents involving drivers under 18 are constituting a smaller portion of the total number of motor vehicle accidents in the state as well (at 13 percent in 2007, down from 17 percent in 2000).

According to preliminary estimates by analysts at the State Highway Traffic Safety Office, fewer children are being killed in auto accidents as well. Decreases in the 0-to-14 age group are attributed to more people in the state becoming trained as safety seat technicians, teaching the proper use of child restraints and booster seats at fitting stations around the state, where they educate the public how to select the right seat as well as correct installation and use. (See related article, pages 15-19.)

Though it's a little too early to determine a definite trend, the state may also be seeing a downward trend in the 15 to 17-year-old group over the last two years. This development is likely due to the introduction of a Graduated Driver License law for young drivers, which the Legislature passed during the 2007 session.

These insights into children's safety on the state's roads and highways are, along with several other child-related themes, detailed in the 2008 Montana Kids Count data book, which was released in November. The book is a statistical summary of the well-being of children and vulnerable families in the state. The book provides insight into conditions both at the state and county levels. Some of the major themes highlighted in the book are summarized below.

Population

As in years past, Montana's population grew in 2007, reaching close to 958,000, an increase of 6 percent from 2000. This state-level growth does, however, mask a more complex

picture. Thirty-four of Montana's 56 counties experienced population declines over the past eight years, and in 11 of these, the percentage population decrease reached double digits. All 11 counties are located in eastern Montana. Only counties with an urban center saw significant population increases, and only five of them – primarily located in the western part of the state – experienced percentage increases in the double digits. Yellowstone County (in which Billings, the state's largest city, is located) saw a relatively low population increase for a metropolitan area, at just over 8 percent, compared to Gallatin County, the state's biggest gainer, at close to 29 percent.

A second facet to the state's population growth is that the total child population is shrinking, while the number of young children is on an upward trend. The number of children under 18 went from 228,400 in 2000 to 219,500 in 2007, a 4 percent decline, while the number of children under 5 went from 54,600 to 59,100 over the same period, an increase of more than 8 percent. This would indicate a cyclical pattern resulting in the state's natural growth leveling off over the next few decades before again picking up as the under-5 cohort reaches adulthood. Another interesting point to note is that the total number of white and American Indian children under 18 went down, while the number of Hispanic/Latino children actually increased.

But still there is more to the population story. In all counties with double-digit percentage population declines, there also have been reductions in the numbers of children under 5. This decline indicates that the downward trend will continue in these counties, as there is increasingly less "new blood." The median age in these counties is well above that of the state and even farther above that of the counties with increasing populations. In the counties with the highest population growth, the number of children under 5 has increased considerably, with the largest increase taking place in Flathead County (up 28 percent).

Table 1
Median Ages,
Montana

Median Ages	
Montana	43
Daniels	52
Sheridan	51
Treasure	47
Flathead	40
Gallatin	32
Jefferson	43
Missoula	35
Ravalli	43

Source: U.S. Census Bureau.

In terms of vital statistics, the number of births to Montana residents is on an upward trend, along with the birth rate (up 9 percent and 5 percent, respectively), which adds to the cyclical pattern detected in the growth of the under-5 group. On the flip side, infant deaths and the infant mortality rate are up, by 13 and 4 percent, respectively. Child deaths, however, are down by 33 percent, while the child death rate is down by 48 percent.

School/Education

School enrollment at all grade levels continues to be down, although pre-kindergarten enrollment is actually even with 2000. With the increases in the under-5 cohort, we can expect to see increased enrollment in this area in the coming years.

Looking at the proficiency gap between white and American Indian students, there is no clear trend when considering 4th grade reading proficiency levels. However, looking at 8th grade proficiency levels, the gap between the two groups has been narrowing over the past three years. Still, there is little change in the percentage of the two populations 25 and older with a bachelor's degree or higher—the gap of almost 20 percentage points between whites and American Indians has remained fairly constant since 2000.

Youth Risk Behavior

Data from the Youth Risk Behavior Survey, conducted by the Montana Office of Public Instruction, indicate that Montana youth's involvement in risky behavior is on a downward trend. Smoking has seen the greatest reduction since 2001, down 30 percent for all youth, while non-use of seat belts is down by 28 percent, and drinking and driving is down by 27 percent.

While there are reductions in all areas of surveyed risk behavior, the reduction is smaller for American Indian youth. Only in the area of suicide attempts was the reduction close to the same for the two groups: For all youth the rate was

down 24 percent, while it was down by 23 percent for Indian youth. This, however, masks the fact that Indian youth start out with rates of attempted suicide that are twice as high as for the total youth population. In 2007, the rates were 7.9 percent for all youth and 15.8 percent for Indian youth.

Poverty

Over the past eight years, the number of children living below 200 percent of the federal poverty level (FPL) has gone from 49 to 42 percent of all children. While this may, on the surface, seem like a positive development, these statistics hide the fact that the number of children living below 100 percent of the federal poverty level is virtually even with 2000, that the number of children living in extreme poverty (50 percent FPL) has gone from 4 to 7 percent, and that children under 5 living below poverty has gone from 17 to 21 percent. In essence, while there are fewer poor people in Montana today than there were eight years ago, those that are still poor are worse off than they were at the turn of the century, and children and single-parent families make up a growing share of the poor population.



Miscellaneous

The rates of children being fully immunized by their second birthdays are down, sometimes dramatically, in almost all Montana counties (42 out of 56). The primary reason for this is twofold:

1. The definition of "fully immunized" is evolving continually, making the target number of inoculations something of a moving target as it comes to include an increasing number of inoculations. Most recently, three doses of Hepatitis B was added to the series.
2. Parents are putting off the vaccinations, or spreading them out more, effectively postponing children being "fully immunized" until they enter kindergarten.

Number of juvenile offenses is on a downward trend (-13 percent since 2000), as is the juvenile arrest rate (-21 percent since 2000). However, drug and violent offenses are increasing as portions of total offenses (up 13 percent and 9 percent, respectively).

American Indian Child and Maternal Health

Data are vital to addressing public health problems in all populations. When data are lacking, it becomes impossible to assess the magnitude of a problem, as well as to measure any changes, for the worse or for the better, within the population.

While it has long been assumed that all American Indian people face the same sets of problems, there has recently been more attention paid to the difference, not just between American Indian and white populations, but among American populations of various tribes and on different reservations.

In Montana and Wyoming, the tribes themselves, through the efforts of the Rocky Mountain Tribal Epidemiology Center in Billings, are taking an active role in acquiring the necessary data to address discrepancies in birth and child outcomes within American Indian populations. Though moving forward by small steps, the important first step has been taken in recognizing the need for reliable, consistent data, and how this is lacking for the Rocky Mountain tribes and reservations.

Juvenile Justice in Montana

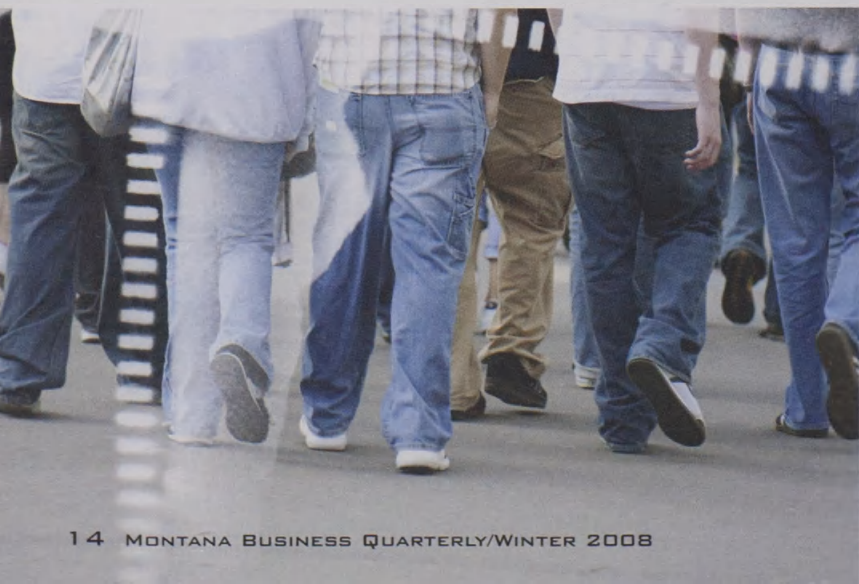
Montana's system places a great deal of emphasis on early intervention and prevention in its dealings with youth. In the events that these two options prove to be insufficient, the focus is on rehabilitation rather than punishment.

Two features of Montana's juvenile justice system have proven to be valuable in reducing the number of youth in custody in the state. The first is the mandatory use of an assessment instrument for all youth placed on probation, while the second is the use of an advanced Juvenile Court Assessment Tracking System.

The former helps identify mental health needs as well as aids in creating customized case plans for each youth, plans in which families are heavily involved. The latter enables probation officers and district court judges to track individual youths through the system, paying close attention to trends in offenses, dispositions, placements and services. This in turn allows analysis of what placements and services/treatments are the most effective in reducing recidivism.

Ultimately, Montana's youth court laws are designed to keep youth out of the system, based on the understanding that most youth outgrow the types of crimes that would potentially lead to their arrests, such as truancy, MIP alcohol, and running away from home. □

Thale Dillon is director of economic research for Montana Kids Count.





Motor Vehicle Death Rates

Rural Highways and Drinking and Driving Put Montana Teens at Higher Risk than Other States

by Thale Dillon, Daphne Herling, and Carole Cochran

Sparsely populated, with miles of rural highways and alarmingly high rates of teenagers who drink alcohol and drive, Montana has consistently shown higher death rates for children and teens than most other states in the nation. While the total death rates are the result of numerous causes, the leading cause of death for youth under 19 in Montana and throughout the nation is motor vehicle accidents.

While Montana has made significant progress in recent years in reducing the number of motor vehicle accidents involving children (see previous article pages 12-14), the statistics are still disheartening. Montana death rates for children ages 1 to 10 were 4.78 per 100,000, compared with the U.S. average of 2.91. Death rates for teens ages 11 to 19 were 22.72 per 100,000 in Montana, compared with the U.S. average of 14.67 (Table 1, page 16).

To investigate the causes of and possible remedies for the high number of child and teen deaths due to motor vehicle accidents, researchers with the Bureau of Business and Economic Research Montana Kids Count program conducted a study in cooperation with their South Dakota counterparts. Like Montana, South Dakota has experienced some of the highest death rates in the nation for close to two decades.

Funded through the Annie E. Casey Foundation, the Kids Count study determined and then analyzed the factors that

are significant in predicting child and teen death rates from motor vehicle accidents. Researchers then interviewed traffic officials in six states that were chosen for an in-depth analysis based on their history of improving teen or child death rates.

Factors Influencing Death Rates

While traffic accident death rates vary greatly by state, the study identified several factors that were significant predictors of deaths in children ages 1 to 10, including:

- the portion of a state's highway miles that is rural;
- the presence of a Young Driver Licensing program; and
- the rate of Food Stamps eligibility combined with a state's portion of idle youth

For teens ages 11 to 19, the factors were:

- the portion of a state's highway miles that is rural;
- the portion of high school students who drove while drinking alcohol;
- the portion of high school students who had used tobacco at least once in the past month; and
- the prevalence of single-parent families.

Table 1
Motor Vehicle Fatalities by State, 2005

Death Rates from Car Crashes (per 100,000)					
State	1-10 years old	11-19 years old	State	1-10 years old	11-19 years old
United States	2.91	14.67	Montana	4.78	22.72
Alabama	5.02	26.04	Nebraska	1.87	18.24
Alaska	2.81	11.56	Nevada	3.71	13.87
Arizona	3.80	18.36	New Hampshire	1.07	10.18
Arkansas	3.89	23.56	New Jersey	1.28	7.83
California	2.78	11.33	New Mexico	6.96	24.00
Colorado	2.27	11.77	New York	1.11	6.98
Connecticut	0.62	6.74	North Carolina	3.05	19.40
Delaware	0.83	18.82	North Dakota	8.20	21.56
Florida	3.95	21.00	Ohio	1.83	12.54
Georgia	3.77	17.63	Oklahoma	4.11	23.44
Hawaii	1.11	6.63	Oregon	2.18	14.20
Idaho	4.28	17.95	Pennsylvania	1.67	12.66
Illinois	1.60	11.04	Rhode Island	0.71	7.92
Indiana	2.97	15.53	South Carolina	4.43	21.99
Iowa	3.35	18.91	South Dakota	4.34	28.31
Kansas	4.78	16.98	Tennessee	3.16	19.51
Kentucky	4.86	23.97	Texas	3.65	15.92
Louisiana	4.74	17.72	Utah	3.62	9.17
Maine	2.51	18.13	Vermont	3.99	16.32
Maryland	2.61	8.87	Virginia	2.50	13.52
Massachusetts	0.93	7.79	Washington	2.79	8.51
Michigan	2.74	12.06	West Virginia	3.50	24.93
Minnesota	2.42	11.78	Wisconsin	2.21	16.46
Mississippi	7.91	33.16	Wyoming	4.23	28.92
Missouri	3.71	25.24			

Source: National Highway Transportation Safety Administration (fatalities obtained by special request January 2008).

Rural Highway Miles

The rurality of a state has strong influence on both child and teen death rates, indicating that the more rural the state, the larger the portion of children and teens who die as a result of motor vehicle accidents. In fact, the majority of fatal motor vehicle accidents occur in rural areas or on rural roads. A 2006 National Highway Traffic Safety Administration (NHTSA) report noted that only one-fifth of the nation's population lives in rural areas, yet two-fifths of the vehicle miles traveled and three-fifths of all fatal crashes occur there. In sparsely populated areas of rural states such as Montana,

North Dakota, South Dakota and Wyoming, death rates resulting from motor vehicle crashes are among the highest in the nation.

Drinking and Driving

Alcohol affects teen drivers much more strongly than adults, making driving under the influence more impairing to a teen (Hingson, Heeren, and Winter). It follows, then, that states where a high portion of teens drive while drinking have a higher teen death rate.

Tobacco Use

While using tobacco may not seem to impair a person's ability to drive, tobacco has been shown to be a gateway predictor of other addictive behaviors, such as alcohol and other drug consumption (American Cancer Society; Seninger and Herling). States with high teen tobacco use rates will see more incidences of driving while intoxicated and taking unnecessary risks while driving, such as exceeding the speed limit and having too many distractions in the vehicle.

Single-Parent Families

States with a higher portion of single-parent families showed higher rates of teen deaths, illustrating the demands that are placed on such families. Unable to pay for quality child care to allow for the job commitments required to make ends meet, single parents may be forced to leave children and teens without adult supervision while not in school.

Young Driver Licensing

The only factor that was shown to have a moderating effect on traffic death rates was the presence of a rigorous Young Driver Licensing program. Depending on the state, these programs place restrictions on drivers between the ages of 14 and 18 in an effort to promote safer driving practices. Restrictions include limits on night-time driving, limits on the number of passengers allowed, and required hours of drivers' education and training.

Food Stamps/Idle Youth

Food stamps eligibility rates, combined with the portion of idle youth within a state, contributed to higher death rates. Food stamps eligibility rate is a measure of poverty within a state; the higher the poverty rate, the higher the state's child death rate from motor vehicle accidents.

Idle youth is defined as teens not in school, not working, and not in the military. Combining this measure with food stamps eligibility yields a measure of young, poor people with a lack of connection to their community.

Where Montana Stands

It is not surprising that Montana's traffic death rates are high for several reasons:

- Montana is a rural state, with 97 percent of its highway miles qualifying as rural compared to 32 percent nationally.
- Twenty percent of Montana high school students reported that they drove while drinking alcohol at least once during the past 30 days compared to 12 percent nationally (Youth Risk Behavior Survey 2001-2005).

- Nine percent of Montana's teens have used smokeless tobacco and 18 percent have smoked cigarettes during the past 30 days, compared to rates of 5 percent and 18 percent nationally. Smoking is about on par with the nation (Prevention Needs Assessment survey, 2002-2006).
- Fourteen percent of the population qualifies for food stamps, compared to 12.6 percent nationally.
- Montana's Graduated Driver's License law was rated "marginal" in January 2008 by the Insurance Institute for Highway Safety (IIHS).

The only area where Montana does better than the national average is when it comes to single-parent households – 28 percent compared to 32 percent nationally.

Case Studies

As part of the study, Kids Count researchers analyzed six states that had improved their child or teen death rates over the period from 1990-2004. The case studies were intended to inform Montana and South Dakota about ways to potentially reduce traffic death rates.

Colorado, New York, and Oregon were chosen for their improved child death rates over those years, while Utah, Vermont, and Washington were chosen for improved teen death rates. Traffic safety offices in all six states were contacted as the best source for data, program information, and overall analysis of child and teen deaths from motor vehicle crashes.

It is important to look at this issue in the context of national trends during the period. Indeed, overall traffic death rates in the United States had dropped considerably during this period. However, the six states chosen for review had trends that were consistently better than the national trend.

The over-arching factor at the national level contributing to improving trends, according to the traffic safety offices interviewed, was the increased knowledge of the science of injury prevention. The specific issues that were mentioned were:

1. Roads and cars became better engineered;
2. Airbags became the norm in new cars;
3. Road construction improved;
4. The National Highway Traffic Safety Administration significantly increased funding to state traffic safety programs;
5. Funding was approved for a broader array of projects, including purchased advertising time for public education campaigns;
6. New traffic safety laws were enacted in many states;
7. Awareness of the need to buckle children's seatbelts properly increased; and
8. National awareness of injury prevention increased.

These issues affected all states, raising the question of why some states were more successful at reducing teen and child death rates than others.

Child Death Rates Interviews

Traffic safety offices in Colorado, New York, and Oregon were contacted by phone. One clear difference between the interviews focusing on improvements in child death rates and those that were teen-focused was the more broad-based support for child traffic safety issues. The safety of children is not a sensitive issue based on values or perceptions; while teenagers may engage in risky behaviors that sometimes lead to bad decisions when driving, no one believes that a child is responsible if he or she dies in a motor vehicle crash.

The interviews resulted in detailed information on the many programmatic efforts and multi-faceted approaches that have been responsible for the overall reduction in child deaths from motor vehicle crashes in the three states.

Increased Focus on Child Safety Programs: With increased federal funding, all three states focused on programmatic improvements during the 1990–2004 period, including the training and certification of child passenger safety technicians and car seat distribution programs for low-income families.



Passage of Child Safety Laws: Oregon identified key traffic safety laws regarding occupant protection that were passed during 1990–2004. These included child passenger safety laws as well as seat belt laws. The commitment continues with improvements made to existing laws.

Public Education: Increased funding for child safety programs resulted in intensive public awareness campaigns, using culturally-appropriate materials. The focus on and the high rate of seat belt use in Oregon was seen to have a trickle-down effect in motivating peoples' efforts to get children into safety seats. In New York, a public education campaign encouraging people to place children in the back seats of vehicles was so effective that although the state did not have a law requiring this, when polled, people in Long Island thought there was a law prohibiting them from putting children in the front seat.

Relationship with Law Enforcement: The close relationship between traffic safety offices and the state police was obvious throughout the interviews; this connection seemed stronger than in the teen-focused interviews. Ensuring that child safety traffic laws were enforced was a key reason that Colorado officials felt they had succeeded in reducing child deaths resulting from motor vehicle crashes. Oregon has a large number of law enforcement officers who are certified child passenger safety technicians. New York officials consider the state police to be one of their most important partners, as the enforcement that goes along with the educational campaigns is key to their success.

Coalitions and Collaborations: Establishing partnerships was key to improved child death rates. State and local hospitals were identified as important partners by all three states as a way of reaching new parents to educate them about correct child safety seat use or informing them about available resources for obtaining safety seats. While the various efforts in place in the three states are too many to detail here, all three states also mentioned the Safe Kids campaigns with both state and community level efforts as important aspects of child safety.

Political Commitment: In Colorado, the commitment to passing and improving child passenger safety laws is high. In Oregon, legislators respond well to data to enact new laws or to adjust existing laws, as long as there is no perceived reduction in personal freedoms. In New York, like in other states, a tragic accident is sometimes the motivation to pass new laws or to improve current laws.

Conclusion and Policy Recommendations

There was no immediately obvious, single factor that explained why the six states examined here were successful in reducing their child and teen death rates due to motor vehicle crashes. Rather, a multi-dimensional set of factors gives some insight. Examining the policy implications of the various issues identified in this report can give some insight as to what might help reduce such fatalities.

Recommendations:

- Strengthen existing policies on DUI/DWI, young drivers licensing, seat belt use, child restraint laws, and cell phone restrictions. Stricter laws have been shown to be instrumental in reducing traffic fatalities.
- Expand efforts to get free child seat distribution points and technician training for installing child seats and child booster seats into low-income areas.
- Make rural road improvements, such as sanding during the winter and updating antiquated guard rails, and increase enforcement of existing speed limits.
- Strengthen relationships with all groups that have a stake in improving the lives of teens and children, e.g., highway patrol, highway safety professionals, civic groups, and schools.
- Explore collective training opportunities so that a standardized, consistent message is received by all law enforcement entities.
- Ensure adequate funding so traffic safety laws are enforced at all levels – state, counties and municipalities.
- Create consistent and comprehensive public education campaigns. □

Thale Dillon is director of economic research for Montana Kids Count, Daphne Herling is director of Montana Kids Count, and Carole Cochran is director of the South Dakota Kids Count project.

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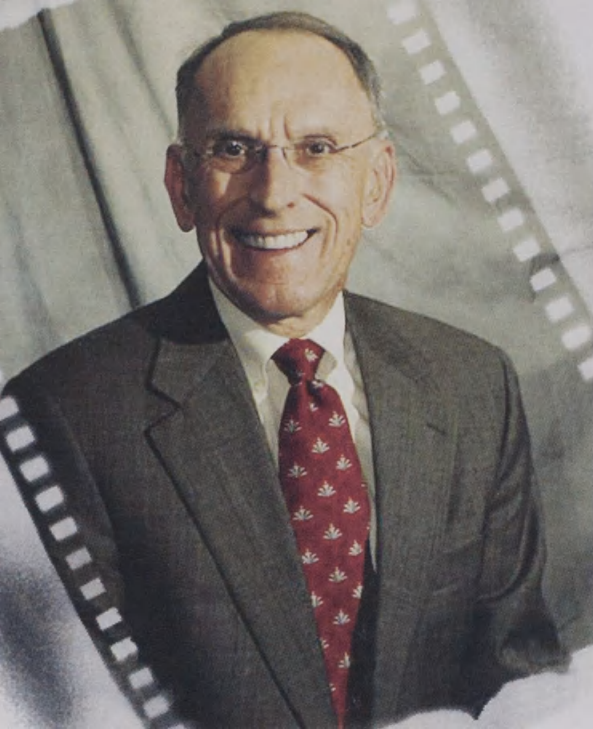
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Polzin Retires as Bureau Director

by Shannon Furniss and Amy Joyner

Shortly after Paul Polzin started as director at The University of Montana Bureau of Business and Economic Research, Montana experienced one of the “top 10 weather events of the 20th century.”

The National Weather Service describes the week of January 30 through February 4, 1989, as follows:

“A bitterly cold arctic air mass invaded the northern Rockies bringing record cold temperatures and extreme wind chills to Montana. Winds gusted to ... 124 mph. Twelve empty railroad cars were blown over in Shelby. Elsewhere, roofs were blown off homes, mobile homes were rolled over or torn apart, and numerous trees and power lines were blown down.

“With the passing of the arctic front on the 31st, temperatures dropped dramatically. In Helena, the temperature remained colder than -20F for 84 hours (three and a half days) including a record low, -33F, on the fourth. Wind chill values during this period dropped to -75F. The cold caused the brakes to fail on a freight train. The train then rolled, uncontrolled, into Helena and exploded causing extensive damage to Carroll College.

In Billings, record lows were established for 5 consecutive days. Bozeman set record lows for four consecutive days. In Missoula, record lows of -22F and -23F were established on the 2nd and the 3rd, respectively. Wisdom, Montana, saw the mercury drop to -52F on February 3rd.

As the cold front moved through Great Falls on January 31st, the temperature dropped from 54F to -23F (a 67F change) and did not rise to above -20F until February 4th. ”

This was precisely this week that Polzin and his team of researchers were setting off on their annual road trip across the state – to Billings, Butte, Helena, Great Falls, Missoula, and Kalispell – to provide Montanans with the latest economic forecasts as part of the Bureau’s Economic Outlook Seminar series.

It didn’t matter that Polzin’s rental car wouldn’t start because the weather was too cold or that the governor had closed all highways except for emergency travel; nothing would stop the Bureau director from getting the economic news to the public. He and his staff caught the first bus out of town to get to the seminar location. It barely even fazed Polzin when he got to Helena and had to find different hotel accommodations because the rooms that he had reserved had been given to students just evacuated from Carroll College because of the train wreck. Or when he and his staff had to give their presentations in their winter coats because the furnace in the Great Falls hotel had broken down. The show had to go on.

The seminars are now in their 34th year, and Polzin has never missed a single event. For more than three decades, Polzin has been the keynote speaker and chief organizer of the Montana Economic Outlook seminars, which have expanded from four cities to 11 cities throughout the state since he’s been director. Every year, nearly 1,500 people come from all corners of the state to attend these highly successful seminars and to hear Polzin’s latest economic forecast, along with reports from other Bureau economists and industry experts. In the mid-’70s, Polzin and former director Maxine Johnson developed these seminars, which examine the latest local, state, and national economic trends and present the outlook for Montana’s important industries, including nonresident travel, health care, agriculture, manufacturing, and forest products.

In a day when business is conducted through high powered computer networking systems, e-mails, and teleconferencing, Polzin and researchers find that face-to-face meetings are also important. Sharing a cup of coffee and chatting about local business with a rancher in, say, Sidney – a seminar location that is 600 miles from Missoula – helps the Bureau establish and maintain relationships across the state. Then Bureau staff can follow up with e-mails and phone calls.

The economic outlook seminars are probably Polzin's most visible accomplishment in a rich and varied career during which the Bureau of Business and Economic Research has developed into on a highly visible research center. But there have been many other accomplishments.

After earning his Ph.D. in economics from Michigan State University in 1968, he came to the Bureau, which was then under the leadership of Johnson. In the late 1980s, he became director and served as one of the only two directors spanning nearly half a century. In June 2008, Polzin retired as director of the Bureau but continues work as a research associate part time.

Over the years, Polzin has written numerous articles and made many presentations about the Montana economy. In addition, he has written more than 20 peer-reviewed articles, which were published in academic journals, and presented research findings at professional meetings throughout the nation. To analyze the Montana economy accurately, Polzin has had to stay on top of the latest methodologies and methods, as well as attend meetings and write journal articles.

Polzin has been active in the Western Regional Science Association, an international multidisciplinary group of university scholars and government and private-sector practitioners dedicated to the scientific analysis of regions. He served as the association's president from 1988-89.

“Paul Polzin is an institution in the state of Montana.”

– Patrick Barkey

He has also been a regular at the meetings of the Association for University Business and Economic Research (AUBER), which brings together the 100 largest university economic research units. He served two terms on the board of directors, was president in 2006-07, and hosted the Annual Fall Meeting in Missoula during 2005. In recognition of his services, he was presented with the prestigious Fellow of AUBER award in 2008.

During the 20 years Polzin was director, the Bureau has thrived and grown from eight employees to 18 full-time workers. Economists and researchers at the Bureau collect and analyze a wide variety of economic and industry data, which assists individuals, businesses, and government agencies across Montana. The Bureau provides a wealth of information about the state's economy that is unavailable elsewhere. In fact, Polzin and his staff field more than 6,000 requests each year from people seeking information ranging from inflation rates to county demographics to business startup tips. Under Polzin, the Bureau's survey research division has expanded to a state-of-the-art interview facility where it conducts multiple surveys on a wide variety of topics and determines Montanans' attitudes and opinions on economic and social issues.



First days on the job.



Polzin hopes to do more fly fishing and hiking in the days to come.

Polzin has been interviewed on pressing economic issues by state, local, and national media ranging from the Havre Daily News and the Great Falls Tribune, to the Washington Post, the Baltimore Sun, The New York Times, and the Economist.

Although Montanans think of Polzin as their economic expert, Polzin has a region-wide and nationwide reputation that has brought recognition to the Bureau. Under Polzin's directorship, the Bureau has won multiple national publications awards and staff have been appointed to national advisory boards including, among others, the U.S. Census Bureau, the Society of American Foresters, and the National Association of Business Economists.

Patrick Barkey, the Bureau's new director, says about Polzin:

"Paul Polzin is an institution in the state of Montana. It is no understatement to say that any policymaker or business leader in Montana – or university president, for that matter – who wants to boost their own credibility drops the name 'Paul Polzin' at every opportunity. His advice to governors, congressman and senators, legislative leaders and business executives is routinely sought. He has elevated the discussion of countless economic issues within the state and has made an enormous impact on the policy direction of Montana as a whole."

Larry Gianchetta, dean of UM's School of Business Administration, says:

"Paul has established a strong reputation throughout the state. He has always been so concerned about the accuracy of the end product. People rely on the Bureau to provide them with an unbiased analysis of Montana's economy."

Polzin will remain at the Bureau part time researching topics like the current economic recession and others he's always been interested in but has been too busy running the Bureau to address. He will also remain active in the economic outlook and other Bureau events.

Visiting his four grandchildren and spending time with family will be high on his list of priorities. He may even have time for some of his favorite hobbies: handball, fly fishing, bicycling, and traveling. □

Shannon Furniss is editor of the Montana Business Quarterly, and Amy Joyner is a reporter.



Montana Business Quarterly

INDEX, 2004-2008

2004

Vol. 42, No. 1, Spring 2004

Street Smart Economics.....	Norm Milliken Vince Smith Myles Watts
-----------------------------	---

President Bush Passed the Economics Midterm, How Will He Score on the Final? The U.S. Outlook.....	Paul E. Polzin
Montana Avoided U.S. Economic Travails of 2001-2003: The Montana Outlook.....	Paul E. Polzin

Travel Industry Outlook and Economics.....	Norma P. Nickerson James J. Wilton
--	---------------------------------------

Lack of Health Insurance Plagues Montanans.....	Steve Seninger Daphne Herling
Outlook for Montana Agriculture.....	Myles Watts
Montana's Manufacturing Industry.....	Charles E. Keegan III Thale Dillon Robert Campbell Todd A. Morgan

Montana's Forest Products Industry: Current Conditions and 2004 Forecast.....	Charles E. Keegan III Todd A. Morgan, Steven R. Shook Francis G. Wagner, and Keith Blatner
--	--

Vol. 42, No. 2, Summer 2004

The BSE Threat: An In-Depth Look at What Montana's Experts Say.....	Amy Joyner
Engineering Economy: Dealing with Risk and Uncertainty.....	Steve Holland
Punitive Damages: Courts Set Limits to Restore Fair Play.....	Jerry Furniss Jack Morton Mike Harrington

Montana Moves Up the Ranks in Per Capita Income.....	Paul E. Polzin
Where Are They Now?	

Vol. 42, No. 3, Autumn 2004

Franchising in Montana: More Profit for Less Risk?.....	Amy Joyner
Obesity and Poverty: Major Concerns for Montana's Children.....	Steve Seninger Daphne Herling
Montana's Changing Mix of Taxes.....	Douglas J. Young
Rural Development: An Oxymoron?.....	James T. Sylvester

Vol. 42, No. 4, Winter 2004

Economic Status of American Indians in Montana: A Preliminary Assessment.....	Paul E. Polzin Dennis O'Donnell
Interview with Governor Brian Schweitzer Education Funding: Regional/Historical Perspectives.....	Curt Nichols

2005

Vol. 43, No. 1, Spring 2005

An Overview of Montana Taxes.....	Douglas J. Young
2005 U.S. Economic Outlook.....	Paul E. Polzin
Strong Economic Growth Continues in Montana	Paul E. Polzin
Another Slow Year for Montana Tourism.....	Norma P. Nickerson James J. Wilton Melissa Dubois

Health Care Costs.....	Steve Seninger and Daphne Herling
Outlook for Montana Agriculture.....	Kevin McNew
Montana's Manufacturing Industry.....	Charles E. Keegan III Thale Dillon, Robert Campbell

Montana's Forest Products Industry: Current Conditions and 2005 Forecast.....	Charles E. Keegan III Todd A. Morgan, Jason P. Brandt Francis G. Wagner, Keith A. Blatner
--	---

Vol. 43, No. 2, Summer 2005

Montana School Quality.....	Myles Watts and Douglas J. Young
Montana Develops Creative Ways to Educate Creative People.....	Amy Joyner
A New Day in Health Care and Human Services for Montana's Children?.....	Steve Yeakel
Faster Growth Expected for Montana Economy.....	Paul E. Polzin
High Gas Prices: A Silver Lining for Montana's Economy?.....	Paul E. Polzin

Vol. 43, No. 3, Autumn 2005

Boom, Bust, or Bubble? Experts See Positive Trends in Montana's Real Estate Market.....	Amy Joyner
Losing Economic Ground: Death Rates and Poverty Rates are High Among Montana's Children.....	Steve Seninger Daphne Herling

Recruitment, Retention, and Salaries Among Montana Teachers.....	Christiana Stoddard Douglas J. Young
Economic Impacts of Hurricane Katrina.....	Paul E. Polzin

Vol. 43, No. 4, Winter 2005

The Status of Women in Montana.....	Daphne Herling and Christine Gordon
New Neighbors in the 'Hood.....	James T. Sylvester
Who Offers Benefits?.....	Bradly T. Eldredge and Tyler Turner

2006

Vol. 44, No. 1, Spring 2006

Montana's Business Environment and the Law: Do They Work Together?.....	Jack Morton Michael Harrington
U.S. Economy was Remarkably Strong in 2005 Expect More of the Same for 2006: The U.S. Outlook.....	Paul E. Polzin
Strong Economic Growth Continues in Montana: The Montana Outlook.....	Paul E. Polzin
Montana's Milestone: 10 Million Nonresident Visitors.....	Norma P. Nickerson Melissa Dubois James J. Wilson

Health Care Costs: Regulation and Reform.....	Steve Seninger Daphne Herling
Montana's Manufacturing Industry.....	Charles E. Keegan III Thale Dillon, Robert Campbell

Montana's Forest Products Industry: Current Conditions and 2006 Forecast.....	Charles E. Keegan III Thale Dillon, Todd A. Morgan, Jason P. Brandt Jeff Halbrook, and Keith A. Blatner
--	---

Vol. 44, No. 2, Summer 2006

Natural Resource Boom: Old Issues, New Circumstances.....	Paul E. Polzin
Oil and Gas Production from Montana's State Trust Lands.....	Tom Schultz and Monte Mason

Off to the Right Start:	
A Look at Infant and Parent Trends.....	Daphne Herling Christine Gordon
Population Trends.....	Paul E. Polzin

Vol. 44, No. 3, Autumn 2006

The Sky's the Limit:	
Wind Farms Supplement Traditional	
Montana Power Sources.....	Amy Joyner
Investment in Early Childhood Shows	
High Rate of Return.....	Daphne Herling
Economic Shake-Up:	
Some Eastern and Rural Counties are Growing	
Faster than Western and Urban Counties.....	Paul E. Polzin
New Program Helps Prepare Students For Careers.....	Amy Joyner
Financial Literacy Important for Future.....	Ian B. Davidson

Vol. 44, No. 4, Winter 2006

Health Insurance Coverage Declines:	
More Children Uninsured Despite	
State's Economic Gains.....	Steve Seninger
2006 Employer Survey on Health	
Insurance in Montana.....	Steve Seninger
Poverty Rates Highest for Montana's	
Youngest Children.....	Daphne Herling
County Patterns of Child and Family Well-Being.....	Daphne Herling
Montana Snowmobiling Update 2006.....	James T. Sylvester

2007

Vol. 45, No. 1, Spring 2007

Rising Asia and Montana:	
Becoming Closer Neighbors.....	Philip West
Montana's Headline-Grabbing Growth Continues.....	Paul E. Polzin
The Real Story Behind Gas Prices	
and Other Travel Industry Numbers.....	Norma P. Nickerson Melissa Dubois
Children's Health Insurance	
Coverage Rates Decline.....	Daphne Herling
Montana Agriculture.....	George Haynes
Montana's Manufacturing Industry.....	Charles E. Keegan III Thale Dillon Laurie Toomey
Montana's Forest Products Industry.....	Charles E. Keegan III Thale Dillon Jason P. Brandt Todd A. Morgan

Vol. 45, No. 2, Summer 2007

Global Warming:	
Unexpected Impacts on Montana's Economy.....	Shannon Furniss
Montana's Economy:	
All Sectors Contribute to Recent Growth.....	Paul E. Polzin
Digital Divide:	
Montana's Children Face Technological Challenges.....	Daphne Herling
Monitoring Montana Through BEA Data.....	Amy Joyner
Health Care Research:	
Providing Montanans with Data.....	Patrick M. Barkey

Vol. 45, No. 3, Autumn 2007

Reservation Revenues:	
Uncovering Economic Contributions of	
Montana's American Indian Tribes.....	Eleanor YellowRobe
Wildfire Suppression Costs.....	Krista Gebert
Selections, Dispositions, and Acquisitions:	
A Brief History of Montana's Land Grants.....	Tom Schultz
Whitefish Entrepreneur Launches Montana	
into Radio's New Age.....	Amy Joyner

Vol. 45, No. 4, Winter 2007

Substance Abuse:	
Montana Rates Higher Than National Rates.....	Thale Dillon Julie Ehlers Daphne Herling
Sub-County Population Estimates.....	James T. Sylvester
Montana Manufacturing.....	Patrick M. Barkey Steve Holland
Gated Communities:	
Gaining Popularity Across Montana.....	Amy Joyner

2008

Vol. 46, No. 1, Spring 2008

The New ICE Age:	
Investing in a Competitive, Educated Workforce.....	Sheila Stearns
One Shock, Two Shocks,	
Three Shocks. A Recession?.....	Paul E. Polzin
The Montana Economy Zooms Along.....	Paul E. Polzin
Outlook and Trends 2008:	
Montana Travel and Recreation.....	Norma P. Nickerson Melissa Dubois
Challenges Ahead for Health Care Finance.....	Patrick M. Barkey
Outlook for Montana Agriculture.....	George Haynes
Montana's Manufacturing Industry.....	Charles E. Keegan III Jason Brandt
Montana's Forest Products Industry.....	Todd A. Morgan Charles E. Keegan III Jason Brandt

Vol. 46, No. 2, Summer 2008

Cutting the Cord: Households Dropping	
Land Lines for Cell Phones.....	Jenny Donohue John Baldridge
Montana Economy Still Strong	
Despite National Economic Downturn.....	Paul E. Polzin
Economic Returns for Investing	
in Children's Health.....	Steve Seninger
Reclaiming American Indian	
Maternal and Infant Health.....	Thale Dillon Christine Rinki Jennifer Giroux
Eco-Entrepreneur Tests Fuel-Saving Products.....	Amy Joyner

Vol. 46, No. 3, Autumn 2008

Bailouts and Meltdowns:	
What's Ahead for Montana's Economy?.....	Patrick M. Barkey
Feeling the Credit Crunch?.....	Paul E. Polzin
Montana's Housing Industry.....	Scott Rickard
Fiscal Impacts of an Aging Population.....	George W. Haynes Douglas J. Young Myles Watts
Indian Entrepreneur Helps Build	
Business Environment on Reservations.....	Jenny Donohue
Forest Industry Expert Retires.....	Courtesy of Missoulian

Vol. 46, No. 4, Winter 2008

Guiding Montana Through An Economic Storm:	
An Interview with Governor Brian Schweitzer	
The Business of Gambling in Montana.....	John Baldridge James T. Sylvester
Are Montana Roads Becoming Safer?	
Traffic Safety and Other Findings from	
Montana Kids Count.....	Thale Dillon
Motor Vehicle Death Rates:	
Rural Highways and Drinking and Driving Put	
Montana Teens at Higher Risk than Other States.....	Thale Dillon Daphne Herling Carole Cochran
Polzin Retires as Bureau Director.....	Shannon Furniss Amy Joyner

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